



## **S-211 Report (Reporting Year 2023)**

### **Introduction**

The statement is made on behalf of the ZF Group with ZF Friedrichshafen AG as the parent company and its Canadian subsidiaries (referred to as “ZF”). ZF is committed to ethical sourcing and with complying with the laws and regulations of all the jurisdictions that ZF conducts worldwide.

The following Canadian entities are also covered by this report:

- Roaster Holdings (Canada) ULC, Toronto, Canada
- ZF Automotive Canada Limited, Midland, Canada
- ZF Passive Safety Systems Canada Ltd., Midland, Canada
- ZF Chassis Modules (Windsor) Inc., Windsor, Canada
- ZF Composites North America Ltd., Oakville, Canada

### **Structure, Activities and Supply Chain**

ZF is a corporation headquartered in Friedrichshafen (Germany). The Zeppelin Foundation owns 93.8% of the company. These shares are managed by the city of Friedrichshafen. The remaining 6.2% are owned by the Dr. Jürgen and Irmgard Ulderup Foundation, Lemförde (Germany). The shareholders exercise their voting rights at the annual shareholders’ meeting.

ZF is headed by the Board of Management, which manages the company, and by the Supervisory Board, which monitors the Board of Management. For the most part, the activities of the Board of Management are strategic in nature and comprise responsibility for the corporate functions, the divisions, and the regions. Business activities by product segments are organized by divisions.

As a global technology company, ZF is supplying advanced mobility products and systems for passenger cars, commercial vehicles, and industrial technology. In the four technology domains of Vehicle Motion Control, Integrated Safety, Automated Driving and Electric Mobility, ZF offers comprehensive product and software solutions for established vehicle manufactures and newly emerging transport and mobility service providers. With its products, the company contributes to reducing emissions, protecting the climate, and enhancing safe mobility. Alongside our core markets – passenger cars and commercial vehicles – ZF also serves market segments such as construction and agricultural machinery, wind power, marine propulsion, rail drives, special drives, and test systems.

ZF has around 168,700 employees worldwide and is represented with 162 production locations in 31 countries. Around 690 of the total number of employees are located in Canada. A major part of its value creation lies in sourcing appropriate components. For production materials, ZF maintains a worldwide network of approximately 12,000 suppliers, ranging from small family businesses to large corporations. Furthermore, ZF cooperates globally with about 50,000 suppliers of non-production materials. The purchasing volume for production materials increased to €26.2 billion in 2023,



including directed by volumes, for which ZF's customers define which sub-suppliers are to be subcontracted. The purchasing value of non-production materials amounted to €7.6 billion in 2023.

### **Policies in Relation to Forced Labour and Child Labour**

The ZF Code of Conduct (CoC) is the key document addressing individual responsibility within the ZF Group. It is currently available in 27 languages and provides all employees with clear orientation for flawless and responsible business conduct. The CoC also includes commitment to human rights, clearly stating the rejection of human trafficking, forced labor and child labor. ZF uses its Compliance Helpdesk as a tool for systematically clarifying and documenting questions relating to compliance. ZF employees can contact it whenever they are faced with a compliance-related issue in their day-to-day business activities. In 2023, the topic of human rights was integrated, offering a first orientation regarding human rights due diligence including forced labour and child labour as well.

In addition, notifications, and reports on critical issues, such as child labor, violations of human rights or environmental protection, can be communicated via the ZF Trustline since 2020.

In 2023, our former Business Partner Principles were revised to the Business Partner Code of Conduct. As for ZF's supply chain, all new and existing suppliers are required to endorse the ZF Business Partner Code of Conduct (BP CoC). It represents the key values that are indispensable for ZF. Compliance with national and international laws and regulations at all locations worldwide is considered as the minimum requirement. The BP CoC also conforms to various principles and conventions, such as the principles of the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights and relevant conventions of the International Labor Organization. More precisely, the BP CoC contains guidelines specifying fundamental requirements for collaboration with ZF's business partners. The BP CoC addresses topics such as human rights, labor standards, occupational safety and health, environmental protection, business ethics and compliance. Business partners are expected to reject any form of slavery, forced labor or child labor. ZF also expects them to respect freedom of association and the right to form interest groups, to provide fair and appropriate remuneration and working times in accordance with applicable law and to promote the qualification of their employees. The BP CoC also expects suppliers to ensure that these values are respected in their supply chains.

In Germany, external service providers must sign an additional declaration of compliance to collective agreements guaranteeing fair wages, normal working hours and the rejection of unregistered labor and tax evasion. This declaration also applies to subcontractors engaged by ZF and includes the provision that ZF may check compliance at any time.

In 2023, our Policy Statement on Respect for Human Rights has been revised in cross functional working groups and in exchange with our employee representatives. The basis for the content of this new human rights policy statement are the results of our human rights risk analyses from 2022 and 2023. From the beginning of 2024 the implementation and communication of the updated human rights policy statement started.



## **Due Diligence Processes in Relation to Forced Labour and Child Labour within the Supply Chain**

Sustainability management in the supply chain plays a decisive role for ZF. This applies to both environmental issues such as reducing greenhouse gas emissions and social issues such as respect for human rights. To reinforce sustainability and combat human trafficking, forced labor and child labor within ZF's supply chain, the ZF Group uses a mandatory requirement for the approval of new suppliers and for ongoing sourcing of production material.

To be able to evaluate the sustainability performance of suppliers, the company has replaced the ZF Sustainability Criterion with the ZF Sustainability Score (ZF SUS Score). This fully digital solution requires compliance with social and environmental requirements and measures sustainability performance using three key values: the green electricity share in 2025, the result of Supplier Sustainability Questionnaire and the acceptance of the BP CoC. The Sustainability Score applies to the awarding of new business as well as to the approval of new suppliers. It is a binding element of the Sourcing Decision Board, the highest procurement body in the Group. In 2023, sustainability-related tender conditions were also revised. The update includes extended requirements regarding climate and environment as well as new requirements for social responsibility and responsible sourcing. To be ready for future sourcing or to become an approved supplier for the ZF Group, suppliers need to achieve a ZF SUS score of >65%. If the ZF SUS score is below 65% the supplier needs to work on improvement measures to reach the minimum score.

In addition to the minimum ZF SUS score of 65%, ZF has defined minimum requirements for each topic. For example, regarding social compliance ZF has defined minimum requirements for our supplier base with the aim to minimize potential negative impacts and human rights violations by the implementation of preventive measures.

As a minimum, ZF requires the following preventive measures from our suppliers:

- A policy covering working conditions and human rights
- A policy covering health and safety topics
- A policy or code of conduct to set sustainability requirements towards suppliers

The new and fully digital solution including automated workflows gives ZF the possibility to measure the overall sustainability performance of a supplier.

In order to comply with all applicable legal requirements ZF reviewed and revised the existing approach to human rights risk analysis. As part of this, ZF has introduced all core elements of the Human Rights Due Diligence (HRDD) approach. ZF uses the risk management process to determine the risks of negative impact on human rights and prioritizes them according to their severity. Based on the risk assessment, ZF defines preventive and remedial measures. In 2023, the company introduced a risk analysis tool that enables risks in global supply chains to be automatically, legally, and efficiently identified. For this purpose, the analysis tool uses publicly available data from local news, social media, and other databases. This information is supplemented by internally available supplier information. This enables a holistic risk analysis to identify and prioritize suppliers with potential risks as well as the nature and scope of business activities, severity, and reversibility of violations. For suppliers with



increased risks, ZF initiated preventive mitigation measures such as on-site assessments in order to minimize these risks.

In 2023 ZF joined an initiative for sustainable supply chains in the automotive industry called Responsible Supply Chain Initiative e.V. (RSCI). At its core, the RSCI has developed a standard and a central platform for a standardized sustainability assessment of production locations. The initiative also carries out on-site assessments and tracing. Using the RSCI standard helps to avoid multiple audits and to recognize third-party audit results.

In addition, notifications, and reports on other critical issues in the supply chain, such as child labor, violations of human rights or environmental protection, can be communicated via the ZF Trustline. Our suppliers are made aware of this notification system in the BP CoC, among other means.

The extraction of raw materials comes with environmental and social risks. The mining and trading of conflict minerals may contribute to financing armed conflicts or human rights violations. As ZF is aware of these risks, the company strives to comply with environmental and human rights standards along the entire value chain. ZF requests all relevant suppliers of production material to disclose annually the origin of the resources using the Conflict Minerals Reporting Template of the Responsible Minerals Initiative (RMI). The selection of relevant suppliers is based on a due diligence process and follows the OECD five-step plan. The annual conflict minerals reporting covers about 1,000 suppliers. Since these minerals are necessary for technical functions in some of the company's products, ZF works to avoid sourcing from potentially critical smelters. All relevant suppliers receive written notification explaining that ZF is committed to eliminating critical smelters from its supply chains. The company also asked all suppliers to fulfill their due diligence obligations and remove possible or actual critical smelters from their supply chains. The response rate for the year under review, 2023, was 80%. In the current reporting year, 91% of tantalum, 87% of tungsten, 73% of tin, and 53% of reported gold smelters originating from Conflict- Affected and High-Risk Areas (CAHRAs, according to Dodd Frank Act) are certified to the Responsible Minerals Assurance Process standard by the Responsible Minerals Initiative (RMI). ZF is pursuing the goal of continuously increasing the share of certified conflict-free smelters. The company also expanded its due diligence activities for conflict minerals to the supply chain of cobalt and mica. In addition, ZF focuses on sustainable sourcing of rare earth elements (REE). Risk mitigation measures for REEs include reducing or, where possible, eliminating rare-earth elements in products and increasing the proportion of recycled material.

### **Risk Management including the Risk Assessment and its Effectiveness**

Respect for human rights is an integral part of ZF's organizational culture and shared values. Employees and management worldwide are required to comply with the associated policy statement and to ensure that their professional activities are in line with the principles set out there as well as with the principles in the ZF Code of Conduct.

To determine the impact on human rights, ZF pursues a holistic Human Rights Due Diligence (HRDD) approach. It is based on the group-wide Corporate Compliance methodology and thus relies on a risk-based approach considering the group level, production locations and the supply chain. With the five



core elements of the HRDD approach, ZF ensures that it recognizes the impact of its business activities on human rights at an early stage through proactive risk management and avoids potential negative impacts.

In 2023 the company has appointed a human rights officer to monitor the adequacy and effectiveness of risk management and to implement risk-based control measures. She acts unbound by instructions and reports directly to the member of the Board of Management in charge of Human Resources, Legal and Compliance.

Human rights management is part of our Enterprise Risk Management (ERM) system, which is standardized group-wide. As part of this strategy, we regularly update the risk situation to reflect our activities' effects on human rights. We deal with inherent process risks that affect human rights as part of our internal control system (ICS).

At ZF, we examine human rights and environment-related risks resulting from our business processes on a regular and ad-hoc basis. Triggers for an ad-hoc risk analysis can be changes in our business activities or other reliable indications of potential risks. When preparing the risk analysis, we consider both our own business area and our supply chain. To this end, we use digital risk databases, methods of analysis, business partner information and feedback from selected stakeholders as well as from industry initiatives and multi-stakeholder dialogues to identify risks at the national, commodity group and business-specific levels. We consider findings from measures taken as well as from handling complaint procedures as part of the ongoing review and optimization process of our ICS.

Since 2020, ZF has been participating in an industry dialogue in the automotive industry that is being conducted by the German Federal Ministry of Labor and Social Affairs (BMAS). The aim is to improve the human rights situation along the global supply and value chains of the automotive industry and to support companies in implementing their duty of care. Together with other leading companies in the automotive industry, German and Mexican non-governmental organizations (NGOs) as well as the German Institute for Human Rights and the BMAS, ZF has developed a cross-company complaint mechanism (MRDH) in a two-year process. This is intended to pool resources, serve as an early warning system, and improve access to relief for those affected. The mechanism was launched in 2024.

## **Measures taken in 2023/2024 to address Forced Labour and Child Labour**

### **Preventive measures:**

- In 2023, the topic of human rights was integrated into the Compliance Helpdesk, offering a first orientation regarding human rights due diligence including forced labour and child labour as well.
- In 2023, the Business Partner Principles were revised to the Business Partner Code of Conduct. The contents on human rights were revised and expanded.
- In 2023, our human rights policy statement has been revised in cross functional working groups and in exchange with our employee representatives. In 2024 the implementation and communication of the updated human rights policy statement started.



- In 2023, sustainability-related tender conditions were revised. The update includes extended requirements regarding climate and environment as well as new requirements for social responsibility and responsible sourcing.
- In 2023, the company introduced a risk analysis tool that enables risk in global supply chains to be automatically, legally, and efficiently identified.
- In 2023 ZF joined the initiative for sustainable supply chains in the automotive industry called Responsible Supply Chain Initiative e.V. (RSCI).
- ZF requests all relevant suppliers of production material to disclose the origin of the resources annually using the Conflict Minerals Reporting Template of the Responsible Minerals Initiative (RMI). The response rate was 80% in 2023.
- From the beginning of 2023, a human rights officer, appointed in 2022, started to monitor the adequacy and effectiveness of the human rights risk management and to implement risk-based control measures.
- In 2023/2024 several online trainings and face-to-face workshops with different functions have taken place to raise awareness for topics related to human rights including forced labour and child labour.
- In 2024 a cross-company complaint mechanism (MRDH) was launched in Mexico.

#### **Remedial measures:**

- During the reporting period ZF has not identified any concrete violations in its own business or supply chain regarding forced labor and child labor. Neither did ZF identify any cases where vulnerable families have experienced a loss of income as a result of any steps ZF has taken to eliminate forced labour or child labour risks. Therefore, no remedial measures have been taken to address the above-mentioned issues.

#### **Training for employees on Forced Labour and Child Labour**

ZF compiled a wide range of internal and external training modules for its employees, which, in addition to general human rights issues, also contain specific contents, such as modern slavery and human trafficking.

On a global level, the “Skills Hub” platform offers around 92,000 employees with PC access the opportunity to learn independently more about megatrends in the industry and put their individual learning goals in the center of their own activities on the platform.

In 2023, over 32,000 employees were learning on the platform. The rate of completed course modules is about 80%. In 2024 this range was broadly spread and expanded through internal communication via the ZF-Intranet.

In 2024, the platform has been extended to include the topic of sustainability. In addition to several learning elements, it facilitates interactive exchange with experts.

In 2023/2024 several human rights online trainings and face-to-face workshops by our human rights experts were held with different functions and teams, to raise awareness for topics related to human rights including forced labour and child labour.



In 2023 ZF has extended the supplier academy platform to support cooperation with production materials suppliers, and at the same time, promote supplier qualification regarding sustainability. For 2024 several new trainings are planned.

**Attestation:**

In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the report for the entity or entities listed above. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

Dr. Lea Corzilius  
Chief Human Resources Officer /  
Labor Relations Director  
2024-28-05

A handwritten signature in blue ink that reads 'Lea Corzilius'.

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"I have the authority to bind  
ZF Friedrichshafen AG"

Stephan von Schuckmann  
Member of the BoM  
Materials Management  
2024-28-05

A handwritten signature in blue ink that reads 'S. v. Schuckmann'.

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"I have the authority to bind  
ZF Friedrichshafen AG"